

INTRODUCTION: Source and Availability of the Balance in the Account of the U.S. Treasury

The Treasury's operating cash is maintained in accounts with the Federal Reserve banks (FRBs) and branches, as well as in tax and loan accounts in other financial institutions. Major information sources include the Daily Balance Wire received from the FRBs and branches, and electronic transfers through the Letter of Credit Payment, Fedline Payment, and Fedwire Deposit Systems. As the FRB accounts are depleted, funds are called in (withdrawn) from thousands of tax and loan accounts at financial institutions throughout the country.

Under authority of Public Law 95-147, Treasury implemented a program on November 2, 1978, to invest a portion of its operating cash in obligations of depositaries maintaining tax and loan accounts. Under the Treasury tax and loan investment program, depository financial institutions select the manner in which they will participate. Financial institutions wishing to retain funds deposited into their tax and loan accounts in interest-bearing obligations participate under the

Note Option. The program permits Treasury to collect funds through financial institutions and to leave the funds in Note Option depositories and in the financial communities in which they arise until Treasury needs the funds for its operations. In this way, Treasury is able to neutralize the effect of its fluctuating operations on Note Option financial institution reserves and on the economy. Likewise, those institutions wishing to remit the funds to the Treasury's account at FRBs do so under the Remittance Option.

Deposits to tax and loan accounts occur as customers of financial institutions deposit tax payments, which the financial institutions use to purchase Government securities. In most cases, this involves a transfer of funds from a customer's account to the tax and loan account in the same financial institution. Also, Treasury can direct the FRBs to invest excess funds in tax and loan accounts directly from the Treasury account at the FRBs.

TABLE UST-1.--Elements of Change in Federal Reserve and Tax and Loan Note Account Balances

[In millions of dollars. Source: Financial Management Service]

Fiscal year or month	Credits and withdrawals				
	Federal Reserve accounts			Tax and loan note accounts	
	Credits ¹			Withdrawals	
	Received directly (1)	Received through Remittance Option tax and loan depositories (2)	Withdrawals ² (3)	Taxes ³ (4)	(transfers to Federal Reserve accounts) (5)
1993.....	3,407,516	331,337	3,746,152	584,383	583,369
1994.....	3,597,247	307,639	3,915,321	686,879	693,001
1995.....	3,904,812	226,833	4,129,866	642,952	642,716
1996.....	4,366,413	194,156	4,561,495	629,083	621,887
1997.....	4,263,210	191,134	4,454,345	775,799	776,394
1996 - Dec.....	382,441	19,452	399,006	76,102	72,499
1997 - Jan.....	369,412	16,510	382,393	60,166	55,409
Feb.....	348,550	12,674	362,734	51,293	71,137
Mar.....	312,744	15,480	327,537	65,576	47,990
Apr.....	472,071	15,947	441,750	68,513	58,875
May.....	331,495	13,624	392,160	57,537	83,027
June.....	391,682	18,361	398,846	83,568	60,376
July.....	310,189	15,184	336,725	66,583	78,977
Aug.....	303,302	14,953	318,568	62,642	77,763
Sept.....	393,353	20,742	411,105	90,484	61,930
Oct.....	316,403	19,041	338,521	69,379	89,663
Nov.....	280,717	18,383	298,590	65,276	66,270
Dec.....	401,757	28,440	429,879	106,946	95,157

See footnotes at end of table.

**TABLE UST-1.--Elements of Change in Federal Reserve
and Tax and Loan Note Account Balances, con.**

[In millions of dollars. Source: Financial Management Service]

Fiscal year or month	Balances							
	End of period		During period					
			High		Low		Average	
	Federal Reserve (6)	Tax and loan note accounts (7)	Federal Reserve (8)	Tax and loan note accounts (9)	Federal Reserve (10)	Tax and loan note accounts (11)	Federal Reserve (12)	Tax and loan note accounts (13)
1993.	17,289	35,217	28,386	37,540	1,108	1,625	6,510	18,978
1994.	6,848	29,094	21,541	46,624	2,736	-	5,904	18,631
1995.	8,620	29,329	20,977	41,288	2,826	99	6,127	16,955
1996.	7,700	36,525	15,668	40,647	2,490	-	5,847	14,194
1997.	7,692	35,930	10,987	38,741	3,793	4,054	6,303	20,386
1996 - Dec.	7,742	25,052	10,304	33,981	3,145	900	5,749	13,190
1997 - Jan.	6,770	29,809	9,874	37,627	3,464	5,275	6,186	21,712
Feb.	5,258	9,965	6,770	29,809	3,622	8,435	4,998	14,835
Mar.	5,945	27,551	12,885	33,331	4,347	7,737	5,840	18,769
Apr.	52,215	37,189	52,215	37,728	3,446	5,093	12,996	21,802
May.	5,174	11,698	38,653	38,811	4,799	11,698	11,513	29,912
June.	16,368	34,891	19,285	37,501	4,280	4,694	8,848	21,786
July.	5,014	22,496	6,562	34,000	3,544	9,919	4,750	18,768
Aug.	4,700	7,376	5,947	17,638	3,876	6,214	4,855	11,751
Sept.	7,692	35,930	10,987	38,741	3,793	4,054	6,303	20,386
Oct.	4,616	15,645	6,359	30,666	3,703	6,023	5,387	15,914
Nov.	5,127	14,651	6,802	15,645	3,950	4,909	5,126	11,198
Dec.	5,444	26,441	10,724	35,235	4,030	414	5,107	17,922

¹ Represents transfers from tax and loan note accounts, proceeds from sales of securities other than Government account series, and taxes.

² Represents checks paid, wire transfer payments, drawdowns on letters of credit, redemptions of securities other than Government account series, and investment (transfer) of excess funds out of this account to the tax and loan note accounts.

³ Taxes eligible for credit consist of those deposited by taxpayers in the tax and loan

depositories as follows: Withheld income taxes beginning March 1948; taxes on employers and employees under the Federal Insurance Contributions Act beginning January 1950, and under the Railroad Retirement Tax Act beginning July 1951; a number of excise taxes beginning July 1953; estimated corporation income taxes beginning April 1967; all corporation income taxes due on or after March 15, 1968; Federal Unemployment Tax Act taxes beginning April 1970, and individual estimated income taxes beginning October 1988.